

**TAILS YOU WIN, HEADS I LOSE**

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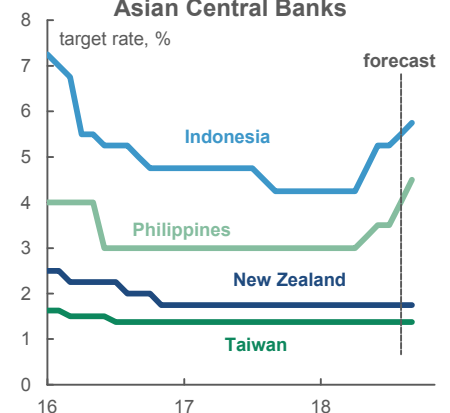
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**Next Week's Risk Dashboard**

- ▶ US-China tariffs
- ▶ NAFTA 'deadline'
- ▶ FOMC
- ▶ Other CBs: RBNZ, BI...
- ▶ ...CBCT, Philippines, Banrep
- ▶ BoC's Poloz
- ▶ CDN GDP
- ▶ US PCE, durables
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- ▶ German IFO, retail sales

**Chart of the Week**
**A Busy Week Ahead for Asian Central Banks**


Sources: Scotiabank Economics, Respective Central Banks.

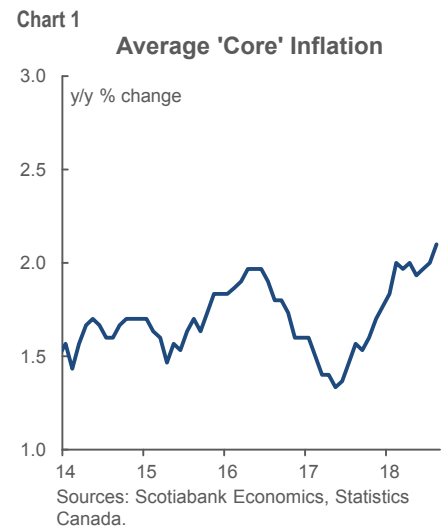
Chart of the Week: Prepared by: Sam Fraser, Research Analyst.

## Tails You Win, Heads I Lose

### CANADA—A PRE-SEASON HAT TRICK

The official start of the NHL hockey season isn't until the following week, but next week Canadians will be treated to an early hat trick of sorts, even if only of the market variety. Markets will have to wait until toward the end of the week for things to spice up a little, but BoC communications, a GDP report and yet another NAFTA 'deadline' all lie ahead.

**Bank of Canada Governor Stephen Poloz speaks on Thursday at 6pmET** by which point we'll definitely know whether polished NAFTA text will be available in time to hit the deadline desired by the US and Mexico. The topic is normally not released by the BoC until three days prior, but the venue has already disclosed it to be about **disruptive digital technologies and the Canadian economy** ([here](#)). His speech will be followed by a press conference during which anything is fair game by way of media questioning. On the face of it, the topic sounds similar to Poloz's Jackson Hole speech ([here](#)) or parts of [this](#) speech last November. The impact of the 4<sup>th</sup> Industrial Revolution, digitalization and the so-called 'Amazon effect' have been recurring favourite themes over the past year. **It's possible that the text addresses a key issue but more likely that the issue may surface in the press conference when I would look for questioning on how transitory he now believes inflation pressures to be.** Recall that Poloz was very dismissive toward the July CPI report in his CNBC interview at Jackson Hole and with some reason for doing so given factors like the year-over-year change in gas prices. However, as chart 1 shows, core inflation just ticked higher again while headline inflation did not return back to earth anywhere nearly as much as might have been expected if the July pressures were fully transitory (see [here](#)).



**The week ends with GDP for July on Friday.** I expect a print of about 0.2% m/m that would tentatively translate into Q3 annualized GDP growth tracking of about 2%. Recall that hours worked jumped by 0.5% m/m for the strongest gain since February and they are tracking an annualized gain of almost 2% in Q3 over Q2. That matters as a bullish signal because one way of expressing GDP is as an identity whereby  $GDP \equiv \text{hours worked} \times \text{labour productivity}$ , with the latter defined as GDP divided by hours worked. Ergo, a strong gain in hours worked during the month and quarter would connote a solid rise in GDP as long as productivity didn't tank. For a sense of how productivity is performing, we turn to the activity readings that serve as output proxies, albeit imperfectly so. Manufacturing shipment volumes were up 1%. Retail sales volumes were down 0.1% m/m. Housing starts retreated by 16% with both singles and multiples lower. Home resales increased in each of the past three months and should drive ancillary activity. The trade side of the picture was mixed as export volumes fell 0.8% m/m but import volumes surged by 1.6% which may connote positive spillover effects and serve as a sign of a solid domestic economy pull-effect on imports. Monday's wholesale trade will fill in the final high frequency gauge for the month, but rarely impacts GDP growth by enough to matter. Also recall the prior month's report that showed no GDP growth in June, partly due to Syncrude's production problems, and which offers a soft jumping off point for growth to occur in July, all else equal.

**With the end of the month comes the deadline set by the US administration to deliver the final text of a NAFTA 2.0 agreement to the US Congress.** It's a deadline because the US and Mexico say it is. It is not a deadline derived from some law of physics, nor for any reason that matters to Canada. Mexico wishes the outgoing President Peña Nieto to sign the agreement before President-elect AMLO takes office on December 1<sup>st</sup>. The US wishes to accommodate this, partly out of a desire to lock in US access to key sectors in Mexico. Working backwards from this December 1<sup>st</sup> deadline requires Congress to be notified 90 days in advance of a pending NAFTA agreement that President Trump intends to sign. That's why the US and Mexico inked their version of NAFTA 2.0 on August 27<sup>th</sup> and why President Trump sent the advisory letter to Congress on August 31<sup>st</sup>.

Before turning to how an agreement in time for this 'deadline' or soon thereafter is still possible, would failure to hit this deadline translate into escalated risk of abrogating the original NAFTA 1.0 agreement or the invocation of swift penalties against Canada or raise the possibility that the US and Mexico go it alone and cast Canada aside? All of that is doubtful.

**1. USMC or USM:** We don't think that a US-Mexico agreement that excludes Canada is a viable threat. The agreed upon 75% local content requirement for the auto sector would be unattainable for US plants that use a lot of Canadian content if Canada is excluded from the deal, and therefore the US and Mexico would need to renegotiate auto content requirements and by corollary perhaps the minimum wage tie-in. Congress gave TPA permission to the US administration to negotiate a trade agreement with both Canada and Mexico, not just one. In theory, that requires the US administration to re-apply for permission to engage Mexico alone and that's a six month process after it starts and hence into the 2019 Congress. US industry and labour does not want Canada excluded. Canada is the top export destination for 35 US states, and the top import source for 15 US states. Any USM/ USMC agreement would likely have to be taken up in the 2019 Congress which, given forecasts for the Democrats to take the House, makes it unlikely that an agreement excluding Canada would be advanced.

**2. Auto tariffs:** Congress may be a passive supporter of Trump's actions against China, but it would be a far bigger fight to ask them to ignore or support the imposition of auto tariffs on Canada as Trump has threatened to do should the deadline be missed. Here are reasons why the auto tariff threat should be put into perspective.

a. The effort would backfire upon the US auto industry given its high import content of Canadian parts and seamless integration of cross-border production.

b. Each of the US auto industry, broader US business interests and US organized labour are dead set against US auto tariffs on Canada that would hit US jobs, grind US and Mexican plants to a halt and disrupt supply chains right into the mid-terms. Recall the disruptions to Ford's truck plants earlier this year and how that drove product shortages, and then multiply that many times over. Auto dealer lots could become ideal places for playing road hockey. An inventory drag could knock GDP. Very tight inventories and product shortages could drive immediate and significant pass-through of tariffs onto prices.

c. Tariffs would send the US and Mexico back to the drawing board on their USM agreement in that there would be zero way of hitting 75% NAFTA content and the minimum wage tie-in if they can't count parts from Canada in their local content measures. That would likely result in the US and Mexico blowing their own deadlines.

d. Attempting to impose auto tariffs may resurrect the two summertime movements to restrict Presidential authority on tariff measures in Congress while a court challenge is simultaneously proceeding.

i. One could be the Automotive Jobs Act of 2018 that would require the ITC to study the threat posed by auto imports and the associated reasonableness of tariffs instead of leaving it to just the USTR and Commerce Department. The ITC has generally been more impartial on such matters, such as when it overrode the decision to impose tariffs on Bombardier's planes.

ii. Second could be to resurrect the bipartisan motion that passed by a margin of 88–11 on July 11th and that would pare back the President's authority to use Section 232 'national security' tariffs. It was a non-binding vote, but a binding vote that reasserts Congress's authority over trade matters could be possible. Veto-proof votes could be attainable in the current Congress or the new 2019 Congress with enough bipartisan support drawn from Senators and Representatives from states that would be affected.

iii. Third is the court challenge that the American Institute for International Steel (AIIS) has before the US Court of International Trade on the constitutionality of the Section 232 tariffs as flagged in the morning note.

**3. NAFTA withdrawal:** The NAFTA agreement requires Trump to deliver a notice of intent to withdraw six months in advance of possibly doing so. It appears that the President does not have sole authority to make the withdrawal call six months later. He may need Congressional approval to do so—and the new 2019 Congress, where the GOP may not have majorities in both houses, would be unlikely to provide it. So the most likely scenario after failure to reach agreement would likely be a prolonged state of purgatory as NAFTA 1.0 remains in place.

**The last point for present purposes is to reinforce how we think that an agreement is close at hand.** Even if it is not reached in time for the end of the month's deadline, it may be attainable soon thereafter. Quebec's provincial election on October 1<sup>st</sup> is another consideration. There have been major points of progress in the negotiations that get us very close to an actual

agreement. Instead of a 5 year automatic sunset clause like the US had been pursuing, we now have a clause that provides for a review in six years, with annual reviews following over a decade to address and resolve any issues identified at the six-year mark. This pushes the risks well outside most industries' cap-ex cycles. Further, automobile rules of origin involve 75% NAFTA content with no carve-outs versus the original US desire to raise it to 85%, 50 points of which would have gone just to the US. The US has relaxed its Buy America demands on access to government procurement programs. Some weakening of dispute settlement mechanisms is possible if not likely, as is partially liberalized access to Canada's dairy sector. In short, while there are many other parts of the agreement being negotiated and finalized, many of the major sticking points have either been addressed or could be addressed fairly soon.

Canada auctions 3s on Thursday about six hours before Poloz speaks.

**ASIA-PACIFIC—CROWDED OUT**

US-China trade tensions and a series of four regional central bank policy decisions will dominate relatively minor macro reports to potentially drive the global market tone as well as influencing local markets.

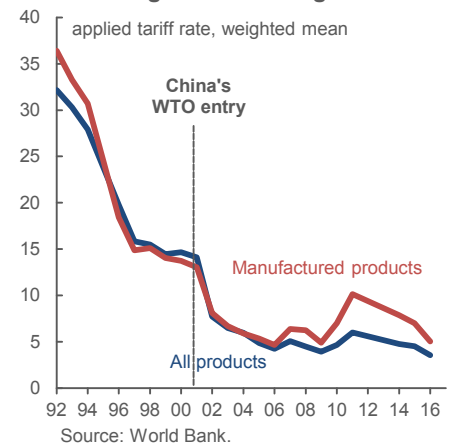
**A 10% US tariff on US\$200 billion of Chinese imports goes into effect on Monday and China has vowed to retaliate by applying tariffs of 5–10% on US\$60 billion of US imports.** The added catch is that US President Trump has guided that if China does retaliate, then he'll expedite tariffs on all Chinese imports and so **the scope for a further escalation of trade tensions is high over the coming week and beyond.**

**While escalating trade tensions don't serve anyone well relative to an ideal world, it is possible that China's non-US trading partners will benefit from the spat and that China may well 'win' over the longer term.** Premier Li guided this past week that he intends to cut import tariffs on broad imports again after having done so previously in July. The effect is likely to be two-fold. For one, it fits into the picture of China having its own 'whatever it takes' moment to coin the Mario Draghi phrase. China is acting to stabilize markets and ease policy and the country has among the greatest degrees of policy flexibility anywhere. Reducing import levies, which drops consumer prices, could well stimulate domestic consumption.

**Further, the combined action of imposing tariffs on US imports while cutting tariffs on imports from other countries will tilt the playing field away from American exporters.** China's fairly low Most Favoured Nation tariffs on global imports in weighted average terms have been falling over the long term (chart 2). Chinese tariffs on US imports, however, are on the rise as a by-product of the escalation of trade tensions that the US has been driving. Chart 3—with thanks to Sam Fraser and Juan Manuel Herrera for their help with it—shows the weighted likely impact upon the average tariff rate imposed upon US imports. Over time, this relative movement in tariff rates—if they persist—should divert trading relationships and economic opportunity away from US firms and toward firms located in Europe, other parts of Asia, Canada and Latin America. This is one reason why US-China trade tensions are not necessarily bad for the rest of the world economy if the net effect over time is primarily to divert trade channels away from the US. It's hard to see how being shut out of one of the world's fastest growing economies as the spoils go to others will benefit US companies, workers and shareholders. Quite simply, China is reacting ingenuously to US trade aggression and in such fashion as to make US actions a case of tails you win, heads I lose.

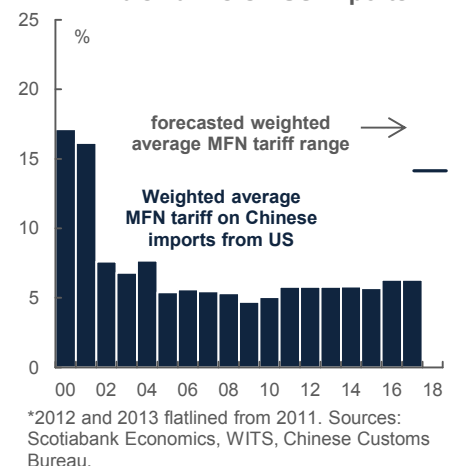
**The general theme of emerging market central banks seeking to stabilize currency pressures and concomitant inflation risk will continue into the coming week.** That's due to expectations for two out of the four regional central banks to hike their policy rates.

**Chart 2 China Has Made A Lot Of Progress Reducing Tariffs**



**Chart 3**

**China's Tariffs On US Imports**



- **The RBNZ** will be the first of the central banks to pass decisions on Wednesday evening (eastern time) and no change is expected;
- **The Central Bank of China Taiwan** is also expected to hold at 1.375% soon after the RBNZ;
- **Bank Indonesia** is expected to hike its 7 day reverse repo rate by 25bps to 5.75%. The rupiah is part of the issue, given its depreciation of about 11% since late January. So far, core inflation has only moved gently higher from a cycle low of about 2.6% y/y in February to 2.9% in August. Following the last decision in August, Governor stated “Our stance is still the same, we remain hawkish....our focus now is stability, especially rupiah exchange rate stability.”;
- **Bangko Sentral ng Pilipinas** is expected to raise its overnight borrowing rate by 50bps on Thursday morning (eastern time). The central bank has already raised its policy rate by 100bps since May. Governor Nestor Espenilla pretty much committed himself to a hike when he said earlier this month that “The Bangko Sentral ng Pilipinas will take strong immediate action using the full range of instruments in its toolkit in order to respond to the emerging threats to inflation and inflation expectations. The follow-through actions will also address other threats to higher inflation such as excessive exchange-rate volatility not consistent with underlying macroeconomic fundamentals.” Inflation has risen to 6.4% y/y for the strongest reading since early 2009. The peso has been on a steady nearly linear path of depreciation to the USD for the past five years, sits at its weakest level since late 2005 and has depreciated by about 8% just this year alone.

Japan conducts its regular monthly data dump next week, but the reports rarely impact the global market tone. The jobless rate, Tokyo CPI, retail sales, industrial production, and housing starts are all on tap. China releases industrial profits growth Wednesday evening (eastern time) and the private sector version of the manufacturing PMI on Thursday.

## LATIN AMERICA—NAFTA & CENTRAL BANKS

A Colombian rate decision and Brazil’s freshened inflation forecasts will be the secondary events to potential market spillover effects from NAFTA developments that are treated in the Canadian section.

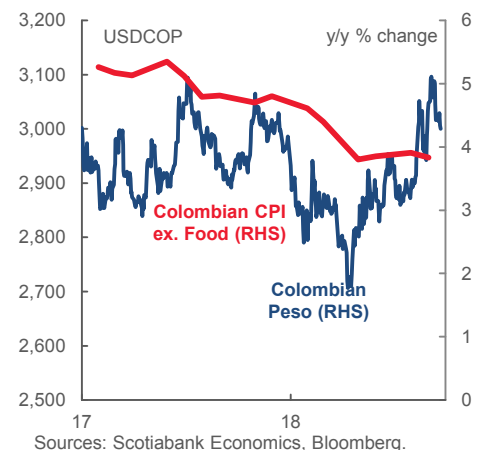
The Colombia Central Bank (Banrep) is expected to remain on hold with the overnight lending rate remaining at 4.25% next Friday. CPI inflation came in at 3.1% y/y in August and therefore remains at about the mid-point of the 2–4% target range. Core inflation, however, is riding above that at 3.8%, but it has been stable over recent months. Like most other currencies including LatAm crosses (chart 4), Colombia’s peso has weakened versus the USD. The peso is down by about 10% since April. That raises some risk of pass-through pressures into inflation. At present, Bloomberg consensus expects inflation to remain above the 3% target mid-point into 2019. That said, growth has been nurtured toward an improving path this year after disappointing weakness in 2016H2-2017 and is likely to receive more of the emphasis.

Banco Central do Brasil releases its quarterly Inflation Report next Thursday (prior edition [here](#)). After inflation eased to 4.2% y/y in August, it is expected to continue easing into the next report. The effects of a truckers strike in May that sparked product shortages over the ensuing months have been easing. Inflation is likely to ride below the mid-point of the 3–6% inflation target range into next year amid expectations that the Selic rate will rise significantly into 2019.

## EUROPE—A TICK HERE AND A TICK THERE

Most of the coming week’s European market focus may be upon developments abroad such as the impact of NAFTA and US-China trade tensions upon global market risk appetite, but with a late-week twist when another batch of inflation figures lands.

Chart 4  
**As Good As It Gets For Colombian Inflation**



**Eurozone inflation is due for a September update on Friday when France, Italy and Spain also release and one day after Germany does.** As usual, the main focus will be upon the core Eurozone measure. Core CPI has been bouncing around 1% on average throughout this year. At its weakest, it was at 0.8% in April and at its highest it hit 1.1% twice. A tick here and a tick there may agitate immediate market reactions, but shouldn't materially impact the outlook for the ECB's policy rate in the context of the commitment to shut down bond purchases by the end of the year after tapering them next month and guidance that the policy rate will be on hold "through" next summer. Market based inflation expectations remain generally stable (chart 5).

**German IFO business confidence** in September may be monitored for whether the improvement in August will prove to be durable into the escalation of trade tensions between the US and China this month. I would think it should be, given that the competitiveness of European exports to China may have improved as China moves toward cutting import tariffs that would proportionately benefit Europe over the US for the second time in three months. German retail sales and French consumer spending will round out the hits.

### UNITED STATES—TOO SOON FOR 'FAIRLY SOON'?

**US-China trade tensions (see Asian section) may set an awkward backdrop for Wednesday's FOMC decisions and communication while a fairly heavy week for data releases brings summer to a close.**

**The Federal Reserve is universally expected to raise its fed funds target range** by 25bps to 2–2.25% next Wednesday. The Fed's playbook is expected to continue to avoid market surprises and the FOMC has to be pleased to see its two hikes before the end of this year nearly 100% priced. A fresh round of forecasts will be provided in the FOMC's Summary of Economic Projections including a revised dot plot. No material changes are anticipated to the description of current and expected future economic conditions. It is possible that the growth projection for 2018 may be revised up a touch. The extension of forecasts by one more year to 2021 is unlikely to add more increases to the fed funds rate given that the profile already implies a cyclical overshoot of the committee's long-run neutral rate, but that's a greater risk than indicating renewed easing that would invite dominating discussion surrounding the catalysts and namely late cycle risks.

**There is the significant risk that the statement removes reference to how "the stance of monetary policy remains accommodative."** That could serve as a signal that the end of the cycle of rate hikes lies within reach. One clear reason for anticipating this is derived from the minutes to the July 31<sup>st</sup> – August 1<sup>st</sup> FOMC meeting that said:

"They agreed that the statement's language that "the stance of monetary policy remains accommodative" would, at some point fairly soon, no longer be appropriate. Participants noted that the federal funds rate was moving closer to the range of estimates of its neutral level."

It's the "fairly soon" part that raises the prospect of doing so next week since that is consistent with the reference in the minutes to expect a rate hike 'soon'. But would it be premature to soften or eliminate "accommodative" guidance at this juncture? A measure of policy accommodation is the spread between the actual Fed funds target range and the neutral rate plus any potential cyclical overshoot. If the neutral rate stands at about 3% as judged by the FOMC consensus that in the June dot plot had projected the fed funds rate to rise to 3.25–3.5% by 2020, then why remove 'accommodative' when one is still several hikes away from such goal posts? Doing so now may have markets tamping down rate hike expectations.

Chart 5

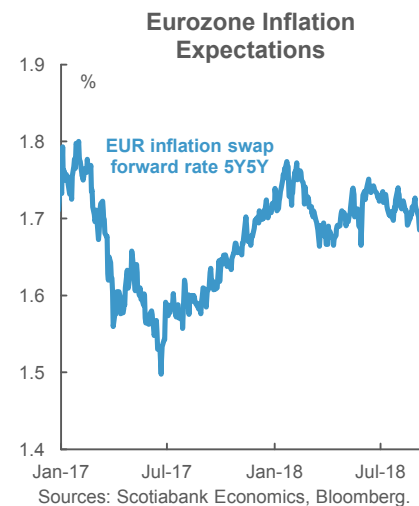
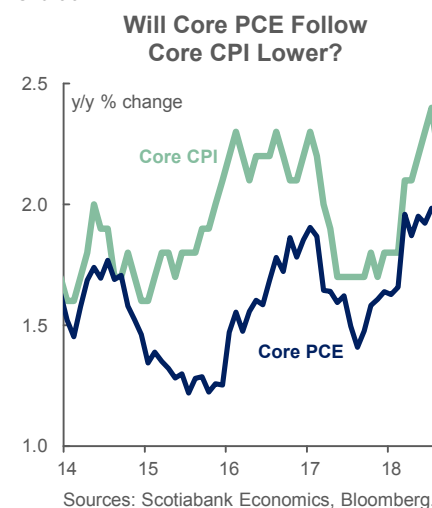


Chart 6



**There is also a heavy calendar of releases on tap for next week.** They may prove to be dovish in one important respect. **After core CPI surprised lower, it is conceivable that core PCE inflation will follow suit on Friday (chart 6).** Within the same release, a small rise in total consumer spending is likely to follow the small 0.1% m/m gain in retail sales that has already been reported. Big ticket durable goods orders should jump higher given a rise in aircraft orders but key will be shooting for a fifth consecutive monthly gain in core orders ex-defense and air.

Releases of tertiary significance will also include repeat-sales home prices in July (Tuesday), the Richmond Fed's regional manufacturing index for September (Tuesday) that will help to further inform ISM risks, the Conference Board's consumer confidence index for September (Tuesday), new home sales during August (Wednesday), pending home sales for August (Thursday) and also Q2 GDP revisions that will incorporate final services spending estimates that are likely to preserve growth around the 4.2% mark.

## Key Indicators for the week of September 24 – 28

### NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	09/24	08:30	Wholesale Trade (m/m)	Jul	--	0.4	-0.8
MX	09/24	09:00	Bi-Weekly Core CPI (% change)	15-Sep	--	0.2	0.1
MX	09/24	09:00	Bi-Weekly CPI (% change)	15-Sep	--	0.3	0.3
US	09/24	10:30	Dallas Fed. Manufacturing Activity	Sep	--	31.0	30.9
US	09/25	09:00	S&P/Case-Shiller Home Price Index (m/m)	Jul	0.1	0.1	0.1
US	09/25	09:00	S&P/Case-Shiller Home Price Index (y/y)	Jul	6.2	6.2	6.3
MX	09/25	09:00	Global Economic Indicator IGAE (y/y)	Jul	--	2.6	1.2
US	09/25	10:00	Consumer Confidence Index	Sep	133	132.0	133.4
US	09/25	10:00	Richmond Fed Manufacturing Index	Sep	--	21.0	24.0
US	09/26	07:00	MBA Mortgage Applications (w/w)	21-Sep	--	--	1.60
MX	09/26	09:00	Unemployment Rate (%)	Aug	--	--	3.5
US	09/26	10:00	New Home Sales (000s a.r.)	Aug	635	630.0	627.0
US	09/26	14:00	<b>FOMC Interest Rate Meeting (%)</b>	<b>Sep 26</b>	<b>2.25</b>	<b>2.25</b>	<b>2.00</b>
US	09/27	08:30	GDP (q/q a.r.)	2Q T	4.2	4.2	4.2
US	09/27	08:30	GDP Deflator (q/q a.r.)	2Q T	--	3.0	3.0
US	09/27	08:30	Durable Goods Orders (m/m)	Aug P	2.0	1.9	-1.7
US	09/27	08:30	Durable Goods Orders ex. Trans. (m/m)	Aug P	0.5	0.4	0.1
US	09/27	08:30	Initial Jobless Claims (000s)	SEP 22	205	210	201
US	09/27	08:30	Continuing Claims (000s)	SEP 15	1675	1675	1645
US	09/27	08:30	Wholesale Inventories (m/m)	Aug P	--	0.3	0.6
MX	09/27	09:00	Trade Balance (US\$ mn)	Aug	--	-3516	-2889
US	09/27	10:00	Pending Home Sales (m/m)	Aug	--	-0.2	-0.7
CA	09/28	08:30	Raw Materials Price Index (m/m)	Aug	--	--	0.7
CA	09/28	08:30	Real GDP (m/m)	Jul	0.2	0.1	0.0
CA	09/28	08:30	IPPI (m/m)	Aug	--	--	-0.2
US	09/28	08:30	PCE Deflator (m/m)	Aug	0.1	0.1	0.1
US	09/28	08:30	PCE Deflator (y/y)	Aug	2.2	2.2	2.3
US	09/28	08:30	PCE ex. Food & Energy (m/m)	Aug	0.1	0.1	0.2
US	09/28	08:30	PCE ex. Food & Energy (y/y)	Aug	2.0	2.0	2.0
US	09/28	08:30	Personal Spending (m/m)	Aug	0.3	0.3	0.4
US	09/28	08:30	Personal Income (m/m)	Aug	0.3	0.4	0.3
US	09/28	10:00	U. of Michigan Consumer Sentiment	Sep F	--	100.5	100.8

### EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	09/24	04:00	IFO Business Climate Survey	Sep	--	103.2	103.8
GE	09/24	04:00	IFO Current Assessment Survey	Sep	--	106.0	106.4
GE	09/24	04:00	IFO Expectations Survey	Sep	--	100.5	101.2
GE	09/27	02:00	GfK Consumer Confidence Survey	Oct	--		
EC	09/27	05:00	Business Climate Indicator	Sep	--	1.2	1.2
EC	09/27	05:00	Economic Confidence	Sep	--	111.2	111.6
EC	09/27	05:00	Industrial Confidence	Sep	--	5.1	5.5
SP	09/27	07:00	Budget Balance YTD (€ mn)	Aug	--		
GE	09/27	08:00	CPI (m/m)	Sep P	--	0.1	0.1
GE	09/27	08:00	CPI (y/y)	Sep P	--	2.0	2.0
GE	09/27	08:00	CPI - EU Harmonized (m/m)	Sep P	--	0.1	0.0
GE	09/27	08:00	CPI - EU Harmonized (y/y)	Sep P	--	1.9	1.9
GE	09/27		Retail Sales (m/m)	Aug	--	0.4	-1.1
UK	09/27	19:01	GfK Consumer Confidence Survey	Sep	--		
FR	09/28	02:45	Consumer Spending (m/m)	Aug	--	0.3	0.1
FR	09/28	02:45	CPI (m/m)	Sep P	--	-0.1	0.5
FR	09/28	02:45	CPI (y/y)	Sep P	--	2.3	2.3

Forecasts at time of publication.  
 Source: Bloomberg, Scotiabank Economics.



## Key Indicators for the week of September 24 – 28

### EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	09/28	02:45	CPI - EU Harmonized (m/m)	Sep P	--	-0.2	0.5
FR	09/28	02:45	CPI - EU Harmonized (y/y)	Sep P	--	2.6	2.6
FR	09/28	02:45	Producer Prices (m/m)	Aug	--	--	0.6
SP	09/28	03:00	CPI (m/m)	Sep P	--	0.3	0.1
SP	09/28	03:00	CPI (y/y)	Sep P	--	2.2	2.2
SP	09/28	03:00	CPI - EU Harmonized (m/m)	Sep P	--	0.8	0.1
SP	09/28	03:00	CPI - EU Harmonized (y/y)	Sep P	--	2.3	2.2
SP	09/28	03:00	Real GDP (q/q)	2Q F	--	0.6	0.6
GE	09/28	03:55	Unemployment (000s)	Sep	--	-9.0	-8.0
GE	09/28	03:55	Unemployment Rate (%)	Sep	--	5.2	5.2
SP	09/28	04:00	Current Account (€ bn)	Jul	--	--	0.5
UK	09/28	04:30	Business Investment (q/q)	2Q F	--	0.5	0.5
UK	09/28	04:30	Current Account (£ bn)	2Q	--	-19.4	-17.7
UK	09/28	04:30	GDP (q/q)	2Q F	--	0.4	0.4
EC	09/28	05:00	Euro zone CPI Estimate (y/y)	Sep	--	2.1	2.0
EC	09/28	05:00	Euro zone Core CPI Estimate (y/y)	Sep A	--	1.1	1.0
IT	09/28	05:00	CPI (m/m)	Sep P	--	-0.2	0.4
IT	09/28	05:00	CPI (y/y)	Sep P	--	1.7	1.6
IT	09/28	05:00	CPI - EU Harmonized (m/m)	Sep P	--	1.8	-0.2
IT	09/28	05:00	CPI - EU Harmonized (y/y)	Sep P	--	1.7	1.6
UK	09/28		Nationwide House Prices (m/m)	Sep	--	--	-0.5

### ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
VN	SEPT 24-30		CPI (y/y)	Sep	--	--	4.0
VN	SEPT 24-30		Exports (y/y)	Sep	--	--	14.5
VN	SEPT 24-30		Imports (y/y)	Sep	--	--	11.6
VN	SEPT 24-30		Industrial Production (y/y)	Sep	--	--	13.4
VN	SEPT 24-30		Real GDP YTD (y/y)	3Q	--	--	7.1
SI	09/24	01:00	CPI (y/y)	Aug	0.6	0.7	0.6
JN	09/25	01:00	Coincident Index CI	Jul F	116.3	--	116.3
JN	09/25	01:00	Leading Index CI	Jul F	103.5	--	103.5
JN	09/25	01:00	Supermarket Sales (y/y)	Aug	--	--	1.5
TA	09/25	04:00	Industrial Production (y/y)	Aug	--	0.6	4.4
TA	09/25	04:00	Unemployment Rate (%)	Aug	3.7	3.7	3.7
NZ	09/25	18:00	ANZ Consumer Confidence Index	Sep	--	--	117.6
NZ	09/25	18:45	Trade Balance (NZD mn)	Aug	--	-925	-143
NZ	09/25	18:45	Exports (NZD bn)	Aug	--	4.4	5349.9
NZ	09/25	18:45	Imports (NZD bn)	Aug	--	5.5	5492.5
SI	09/26	01:00	Industrial Production (y/y)	Aug	--	4.5	6.0
JN	09/26	02:00	Machine Tool Orders (y/y)	Aug F	5.3	--	5.3
NZ	09/26	17:00	<b>RBNZ Official Cash Rate (%)</b>	<b>Sep 27</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>
CH	09/26	21:30	Industrial Profits YTD (y/y)	Aug	--	--	16.2
ID	SEPT 26-27		<b>BI 7-Day Reverse Repo Rate (%)</b>	<b>Sep 27</b>	<b>5.75</b>	<b>5.75</b>	<b>5.50</b>
TA	SEPT 26-27		<b>Benchmark Interest Rate</b>	<b>Sep 27</b>	<b>1.375</b>	<b>1.375</b>	<b>1.375</b>
SK	SEPT 26- OCT 4		Department Store Sales (y/y)	Aug	--	--	2.9
PH	09/27	04:00	<b>Overnight Borrowing Rate (%)</b>	<b>Sep 27</b>	<b>4.50</b>	<b>4.50</b>	<b>4.00</b>
HK	09/27	04:30	Exports (y/y)	Aug	--	8.5	10.0
HK	09/27	04:30	Imports (y/y)	Aug	--	9.9	14.0
HK	09/27	04:30	Trade Balance (HKD bn)	Aug	--	-46.0	-47.1
SK	09/27	17:00	Consumer Confidence Index	Sep	--	--	99.2
JN	09/27	19:30	Jobless Rate (%)	Aug	2.5	2.5	2.5
JN	09/27	19:30	Tokyo CPI (y/y)	Sep	--	1.1	1.2

Forecasts at time of publication.  
 Source: Bloomberg, Scotiabank Economics.

## Key Indicators for the week of September 24 – 28

### ASIA-PACIFIC (continued from previous page)

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
JN	09/27	19:50	Large Retailers' Sales (y/y)	Aug	--	0.5	-1.6
JN	09/27	19:50	Retail Trade (y/y)	Aug	--	2.1	1.5
JN	09/27	19:50	Industrial Production (y/y)	Aug P	--	1.5	2.2
AU	09/27	21:30	Private Sector Credit (y/y)	Aug	--	4.3	4.4
CH	09/27	21:45	HSBC Manufacturing PMI	Sep	50.4	50.5	50.6
PH	SEPT 27-28		Bank Lending (y/y)	Aug	--	--	18.7
JN	09/28	00:00	Vehicle Production (y/y)	Jul	--	--	-4.4
IN	09/28	07:00	Fiscal Deficit (INR Crore)	Aug	--	--	111224
JN	09/28	01:00	Housing Starts (y/y)	Aug	--	0.3	-0.7
JN	09/28	01:00	Construction Orders (y/y)	Aug	--	--	-9.3
TH	09/28	03:30	Exports (y/y)	Aug	--	--	8.3
TH	09/28	03:30	Imports (y/y)	Aug	--	--	12.4
TH	09/28	03:30	Trade Balance (US\$ mn)	Aug	--	--	858
TH	09/28	03:30	Current Account Balance (US\$ mn)	Aug	--	1317	1086

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
BZ	09/24	09:30	Current Account (US\$ mn)	Aug	--	-1330	-4433
CL	09/28	08:00	Industrial Production (y/y)	Aug	4.2	--	-1.4
CL	09/28	08:00	Unemployment Rate (%)	Aug	7.3	--	7.3
CO	09/28		<b>Overnight Lending Rate (%)</b>	<b>Sep 28</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>
CO	09/28	11:00	Urban Unemployment Rate (%)	Aug	--	10.0	10.1

## Global Auctions for the week of September 24 – 28

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	09/24	13:00	U.S. to Sell USD37 Bln 2-Year Notes
US	09/25	11:30	U.S. to Sell USD17 Bln 2-Year Floating Rate Notes Reopening
US	09/25	13:00	U.S. to Sell USD38 Bln 5-Year Notes
CA	09/27	12:00	Canada to Sell CAD2 Bln 0.75% 2021 Bonds
US	09/27	13:00	U.S. to Sell USD31 Bln 7-Year Notes

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
IT	09/25	05:00	Italy to Sell Up to 1.75 Billion Euros of 2020 Zero Bonds
NE	09/25	05:00	Netherlands to Sell Bonds
UK	09/25	05:30	U.K. to Sell 800 Million Pounds of 0.125% 2048 Linkers
NE	09/25	05:30	Netherlands to Sell Up to 2.5B Euros of 0% 2024 Bonds
GE	09/26	05:30	Germany to Sell EUR3 Bln 0% 2023 Bonds
IT	09/27	05:00	Italy to Sell Bonds
SW	09/27	05:03	Sweden to Sell 500 Million Kronor of 0.125% 2026 Linkers

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	09/23	20:45	Australia To Sell AUD800 Mln 2.75% 2029 Bonds
AU	09/25	20:45	Australia To Sell AUD1.5 Bln 2.5% 2030 Bonds
CH	09/25	21:30	Qingdao to Sell Bonds
CH	09/25	22:30	Inner Mong to Sell Bonds
JN	09/25	23:35	Japan to Sell 40-Year Bond
CH	09/26	04:00	Sichuan to Sell Bonds
CH	09/26	21:30	Anhui to Sell Bonds
CH	09/26	23:30	Fujian to Sell Bonds
CH	09/27	04:00	Shenzhen to Sell Bonds
NZ	09/27	22:05	New Zealand To Sell NZD150 Mln 2.75% 2025 Bonds
CH	09/27	22:30	Shanxi to Sell Bonds
JN	09/27	23:35	Japan to Sell 2-Year Bond
CH	09/28	02:00	Hubei to Sell Bonds

Source: Bloomberg, Scotiabank Economics.

## Events for the week of September 24 – 28

### NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	09/26	14:00	<b>FOMC Rate Decision</b>
US	09/26	14:30	Fed's Powell Holds Press Conference Following FOMC Decision
US	09/27	09:20	Former U.S. President Obama Speaks in Helsinki
US	09/27	14:00	Fed's Kaplan Speaks at Forum for Minority Banking
CA	09/27	17:45	Poloz Speech in New Brunswick
US	09/28	08:30	Fed's Barkin Speaks at Forum for Minorities in Banking
US	09/28	16:45	Fed's Williams Speaks in New York at Money Markets Conference

### EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
IT	09/22	04:00	Bank of Italy Governor Visco Speaks at Economic Conference
EC	09/24	09:00	ECB's Draghi Speaks at ECON Committee Meeting in Brussels
GE	09/24	10:00	Merkel Takes Questions at Town-Hall Event in Hanover
SW	09/24	11:30	Riksbank's af Jochnick Gives Speech
EC	09/25	04:10	ECB's Praet Speaks at FT Event in London
UK	09/25	04:40	BOE's Vlieghe speaks in London.
NO	09/25	05:00	Norges Bank Governor Oystein Olsen Speaks in Oslo
EC	09/25	06:45	ECB's Praet Speaks at OMFIF in London
EC	09/25	08:30	ECB's Praet Speaks at InTouch Capital's Event in London
EC	09/25	10:40	ECB's Coeure Chairs Session at 3rd ECB Annual Research Confe
SW	09/25	11:30	Riksbank's Jansson Gives Speech
EC	09/25	12:00	ECB's Coeure Speaks in Frankfurt
NO	09/26	05:00	Norges Bank Deputy Governor Matsen Speaks in Bodo
UK	09/27	07:45	BOE's Haldane speaks in London.
EC	09/27	09:30	ECB President Draghi Adresses ESRB Conference in Frankfurt
UK	09/27	10:00	BOE's Carney chairs panel in Frankfurt.
EC	09/27	13:00	ECB's Praet Speaks at King's College London
NO	09/28	02:30	Norges Bank Deputy Governor Nicolaisen Speaks in Lillehammer
EC	09/28	08:35	ECB's Praet Speaks in Frankfurt
UK	09/28	09:20	BOE's Ramsden speaks in London.
SW	09/28		Swedish Debt Office Proposed Government Debt Guidelines

### ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	09/24	19:50	BOJ Minutes of Policy Meeting
JN	09/25	01:30	BOJ Kuroda speaks in Osaka
NZ	09/26	17:00	<b>RBNZ Official Cash Rate</b>
TA	09/26	00:00	<b>CBC Benchmark Interest Rate</b>
ID	09/26	00:00	<b>Bank Indonesia 7D Reverse Repo</b>
JN	09/27	02:35	BOJ Kuroda speaks in Tokyo
PH	09/27	04:00	<b>BSP Overnight Borrowing Rate</b>
JN	09/27	19:50	BOJ Summary of Opinions
KZ	09/27	00:00	Kazakhstan Sovereign Debt to be rated by Fitch

### LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CL	09/24	07:30	Central Bank Meeting Minutes
BZ	09/27	07:00	Central Bank Q3 Inflation Report
CO	09/28		<b>Overnight Lending Rate</b>

Source: Bloomberg, Scotiabank Economics.

## Global Central Bank Watch

### NORTH AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	1.50	October 24, 2018	1.75	1.75
Federal Reserve – Federal Funds Target Rate	2.00	September 26, 2018	2.25	2.25
Banco de México – Overnight Rate	7.75	October 4, 2018	7.75	7.75

**Federal Reserve:** We expect a 25bps hike in the fed funds target range which is priced into markets. The near-term growth forecast for 2018 may be revised slightly higher in the Summary of Economic Projections. The insertion of forecasts for 2021 is expected to flat-line rate projections while the FOMC avoids sending signals on risks to the economy that far out.

### EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	October 25, 2018	0.00	0.00
Bank of England – Bank Rate	0.75	November 1, 2018	0.75	0.00
Swiss National Bank – Libor Target Rate	-0.75	December 13, 2018	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.50	October 26, 2018	7.50	n/a
Sweden Riksbank – Repo Rate	-0.50	October 24, 2018	-0.50	0.00
Norges Bank – Deposit Rate	0.75	October 25, 2018	0.75	0.00
Central Bank of Turkey – Benchmark Repo Rate	24.00	October 25, 2018	24.00	na

### ASIA PACIFIC

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Policy Rate	-0.10	October 31, 2018	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.50	October 2, 2018	1.50	1.50
Reserve Bank of New Zealand – Cash Rate	1.75	September 26, 2018	1.75	1.75
People's Bank of China – Lending Rate	4.35	TBA	--	4.35
Reserve Bank of India – Repo Rate	6.50	October 5, 2018	6.50	6.50
Bank of Korea – Bank Rate	1.50	October 18, 2018	1.50	1.50
Bank of Thailand – Repo Rate	1.50	November 14, 2018	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	3.25	November 8, 2018	3.25	3.25
Bank Indonesia – 7-Day Reverse Repo Rate	5.50	September 27, 2018	5.75	5.50
Central Bank of Philippines – Overnight Borrowing Rate	4.00	September 27, 2018	4.50	4.00

Monetary authorities of the **Reserve Bank of New Zealand (RBNZ)**, **Bank Indonesia (BI)** and **Bangko Sentral ng Pilipinas (BSP)** will make an interest rate decision on September 27. We expect the RBNZ to leave the policy rate unchanged at 1.75% well into 2019. Headline inflation, at 1.5% y/y in Q2 2018 continues to hover at the lower end of the RBNZ's 1-3% target; the RBNZ has noted that the policy rate will stay "at an expansionary level for a considerable period to contribute to maximizing sustainable employment, and maintaining low and stable inflation". The BI continues its efforts to stabilize the Indonesian rupiah; accordingly, we expect the central bank to raise the policy rate by 25 basis points to 5.75%, following four hikes since mid-May totalling 125 bps. The BSP will likely raise its policy rate by 50 bps to 4.50% as policymakers remain committed to limiting currency volatility and bringing inflation back to the BSP's target. Inflation in the Philippines accelerated to 6.4% y/y in August, exceeding the central bank's target of 3%±1% by a wide margin. The **Taiwanese central bank** will also hold a monetary policy meeting next week; we expect the policy rate to be left unchanged at 1.375%. Despite a contained inflation outlook, monetary normalization will likely begin at the end of 2018 in order to bolster financial stability; we expect the first rate hike—from 1.375% to 1.50%—to be announced at the central bank's December policy meeting.

### LATIN AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	6.50	October 31, 2018	7.00	6.50
Banco Central de Chile – Overnight Rate	2.50	October 18, 2018	2.50	2.50
Banco de la República de Colombia – Lending Rate	4.25	September 28, 2018	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	October 11, 2018	2.75	2.75

**Banrep:** No change is expected in the lending rate. Inflation has been riding around the mid-point of the central bank's inflation target range, but currency depreciation raises some risk of pass-through pressures on inflation.

### AFRICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
South African Reserve Bank – Repo Rate	6.50	November 22, 2018	6.50	0.00

Forecasts at time of publication.  
 Source: Bloomberg, Scotiabank Economics.

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